



Budget Watchdog

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Holding the Line on Spending?

The Supplemental Appropriations Bill Costs More than Advertised

House Republicans and Bush Administration officials claim that they are standing fast on spending by limiting the supplemental appropriations bill to a strict \$28.9 billion. While that may be the stated price tag, the actual cost of the bill is much higher because \$1.7 billion — over half — of the asserted \$3.0 billion in “savings” is dubious.

The fact that House Republicans and the Administration are resorting to gimmicks to mask the true size of the supplemental is not a reason by itself to vote against it. The supplemental provides funds that are clearly needed to assist New York’s rebuilding efforts, conduct military operations against terrorists, and bolster homeland security. Rather, attention is being drawn to the false offsets to underscore the questionable nature of the Administration’s proclaimed efforts to “restrain” spending. This stated devotion to fiscal restraint is particularly peculiar given the Administration’s eagerness to increase tax cuts by an additional \$541 billion on top of last year’s enacted tax cut.

The following explains the gimmicks the supplemental contains to mask \$1.7 billion in spending.

Tricks that Make the Bill Look Smaller

- ***Directed Scoring in the Export Enhancement Program (EEP)*** — The EEP provides funding to exporters to help them sell commodities in foreign countries that subsidize agriculture production. The bill claims to rescind \$445 million from EEP in 2002, but CBO estimates zero savings from the provision.

The account is authorized at \$478 million per year, but since exporter demand prompts spending from the account and demand has been low for quite some time, total EEP expenditures have not exceeded \$10 million since 1995. Based on the experience of the last seven years, CBO estimates that this provision will not result in any savings to the federal government. However, to make the 2002 levels appear lower, the House Budget Committee Republicans have ordered CBO not to use their estimate but rather the estimate of the Office of Management and Budget (OMB).

- **“Hollow” Budget Authority Rescissions** — The Supplemental Appropriations bill includes several offsets in budget authority for 2002 that have no corresponding reduction in outlays, and therefore no effect on the real cost of the bill. Budget authority that does not result in outlays is often called “hollow.” In many programs, budget authority can remain from appropriations made many years ago, and this budget authority can be rescinded without making programmatic changes or changing the amount spent (outlays) on programs. While CBO agrees that budget authority has been rescinded by the bill, and displays the amount in the estimate of the supplemental, CBO does not believe rescinding the budget authority will ever actually lower outlays. While these rescissions may make the apparent cost of the bill seem smaller, the corresponding effect on the deficit is zero.

The bill include the following hollow budget authority rescissions:

- ▶ **Housing Programs** — \$689 million; \$389 million from Section 8 Housing and \$300 million from other assisted housing programs;
- ▶ **Highways** — \$320 million from federal aid for highways;
- ▶ **Foreign Assistance** — \$209 million; \$159 million from International Financial Institutions and \$50 million from the Export-Import Bank; and
- ▶ **Rural Utilities Service** — \$20 million from the Television Loan Guarantee program.

What Is the Difference Between Budget Authority and Outlays?

Budget authority is the legal authority to incur financial obligations that will result in outlays of federal government funds. Outlays are the actual expenditures made to fulfill a federal obligation, generally by issuing a check or making an electronic transfer of funds. Outlays may pay for obligations incurred in previous fiscal years or in the current year; the measure of outlays, not budget authority, affects the surplus or deficit.

For example, if the federal government buys a submarine, the full amount of budget authority for the entire submarine is given to the Department of Defense (DoD) in the year the decision is made to buy. DoD signs contracts based upon budget authority, but contractors are paid in stages as the submarine is built. Outlays occur only when contractors are paid, over several years.